



COUNTY OF SAN BERNARDINO, CALIFORNIA

Single Audit Reports

Year ended June 30, 2001

COUNTY OF SAN BERNARDINO, CALIFORNIA

Table of Contents

	Page
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	3
Independent Auditors' Report on Supplementary Information – Schedule of Expenditures of Federal Awards	5
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	12



600 Anton Boulevard
Suite 700
Costa Mesa, CA 92626-7651

**Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Members of the Board of Supervisors
County of San Bernardino, California:

We have audited the general purpose financial statements of the County of San Bernardino, California (the County) as of and for the year ended June 30, 2001 and have issued our report thereon, dated December 14, 2001. Our report refers to the County's adoption of the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting for Financial Reporting of Nonexchange Transactions*, effective July 1, 2000. In addition, our report refers to the restatement of beginning fund balances/retained earnings in various funds for corrections of errors pertaining to prior years and the elimination of the self-insurance liability for their medical center. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 01-01 and 01-07.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, the board of supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Orange County, California
December 14, 2001



600 Anton Boulevard
Suite 700
Costa Mesa, CA 92626-7651

**Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

The Honorable Members of the Board of Supervisors
County of San Bernardino, California:

Compliance

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. We did not audit the grant programs of the Community Services Department which expended \$6,120,555 in expenditures of federal awards during the fiscal year ended June 30, 2001 and is included in the County's general purpose financial statements. Our audit described below did not include the grant programs on the Community Services Department because the County engaged other auditors to perform such audit in accordance with the aforementioned standards. The County's major federal programs are identified in the Summary of Auditors' Results. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, except for the effects of the omission of the Community Services Department, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 01-01 through 01-13.



Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of the internal control over compliance did not extend to the Community Services Department which was audited by other auditors.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 01-01 and 01-07.

A material weakness is a condition in which the design or operation of one or more internal control documents does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, the board of supervisors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Orange County, California
March 31, 2002



600 Anton Boulevard
Suite 700
Costa Mesa, CA 92626-7651

**Independent Auditors' Report on Supplementary
Information – Schedule of Expenditures of Federal Awards**

The Honorable Members of the Board of Supervisors
County of San Bernardino, California:

We have audited the general purpose financial statements of the County of San Bernardino (the County) as of and for the year ended June 30, 2001 and have issued our report thereon, dated December 14, 2001. Our report refers to the County's adoption of the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting for Financial Reporting of Nonexchange Transactions*, effective July 1, 2000. In addition, our report refers to the restatement of beginning fund balances/retained earnings in various funds for corrections of errors pertaining to prior years and the elimination of the self-insurance liability for their medical center. The general purpose financial statements are the responsibility of the County's management.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Except for the omission of the grant programs of the Community Services Department, such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

KPMG LLP

Orange County, California
March 31, 2002



COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor program name	CFDA number	Federal expenditures
Medicaid Cluster – Department of Health and Human Services:		
California Department on Aging – Medi-Cal Assistance Program	93.778	\$ 369,987
California Department of Alcohol and Drug Program – Medi-Cal Assistance Program	93.778	1,488,412
California Department of Health Services – Medi-Cal Assistance Program	93.778	19,888,478
California Department of Social Services – Medi-Cal Assistance Program	93.778	26,465,635
Total Medicaid Cluster (1)		<u>48,212,512</u>
Child Nutrition Cluster – Department of Agriculture:		
California Department of Education: School Breakfast Program	10.553	276,327
National School Lunch Program	10.555	421,104
Total Child Nutrition Cluster		<u>697,431</u>
Food Stamps Cluster – Department of Agriculture:		
California Department of Social Services: Food Stamps Program	10.551	110,456,130
Food Stamps Administration	10.561	13,711,562
		<u>124,167,692</u>
California Department of Health Services – Nutrition Network	10.561	190,364
Public Health Institute – Children's Five-A-Day Power Play Campaign	10.561	123,500
Total Food Stamps Cluster (1)		<u>124,481,556</u>
Department of Agriculture		
California Department of Education – Child and Adult Care Food Program	10.558	1,761,877
California Department of Food and Agriculture – Inspection, Grading, and Standardization	10.162	11,164
California Department of Health Services – Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5,480,626
California Department on Aging – Nutrition Program for the Elderly	10.570	701,966
State Controller – Schools and Roads – Cluster	10.665	94,077
Direct Program: Forestry Research Grant	10.652	125,689
Cooperative Agreement for Controlled Substances	10.664	12,505
		<u>138,194</u>
Total Department of Agriculture		<u>8,187,904</u>
Department of Education		
California Department of Alcohol and Drug Program – Safe and Drug-Free Schools	84.186	91,057

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor program name	CFDA number	Federal expenditures
Aging Cluster – Department of Health and Human Services:		
California Department on Aging:		
Special Programs for the Aging – Title III, Part B	93.044	\$ 960,764
Special Programs for the Aging – Title III, Parts C1 and C2, Nutrition Services	93.045	2,046,435
Total Aging Cluster		<u>3,007,199</u>
Child Care Cluster – Department of Health and Human Services:		
California Department of Education –		
Child Care and Development Block Grant	93.575	24,236,387
Child Care Pilot Project	93.575	45,209
Child Care Mandatory and Matching Funds	93.596	2,332,882
Total Child Care Cluster		<u>26,614,478</u>
Department of Health and Human Services		
California Children's Fund –		
Coalition Partnership for the Prevention of Teen Pregnancy	93.283	388,287
California Department of Alcohol and Drug Program–		
Substance Abuse Prevention and Treatment Block Grant	93.959	9,176,673
California Department of Health Services:		
Project Grants for Tuberculosis Control	93.116	197,080
Acquired Immunodeficiency Syndrome	93.118	174,539
Childhood Immunization Grant	93.268	253,017
HIV Care Formula Grant – Title II	93.917	930,234
Healthy Start Initiative	93.926	1,592,115
Project Lean – Food on the Run	93.991	20,000
Maternal and Child Health Services Block Grant	93.994	789,831
		<u>3,956,816</u>
California Department of Mental Health:		
Projects for Assistance in Transition from Homelessness	93.150	80,026
Mental Health Services Block Grant	93.958	2,601,737
		<u>2,681,763</u>
California Department of Social Services:		
Healthy Schools/Healthy Communities	93.151	207,000
Family Preservation and Support Services	93.556	1,790,836
Temporary Assistance for Needy Families	93.558	227,576,570
Child Support Enforcement	93.563	17,639,714
Refugee and Entrant Assistance	93.566	48,237
Adoption Incentive Payments	93.603	194,661
Child Welfare Services – State Grants	93.645	1,554,747
Foster Care – Title IV – E	93.658	45,273,851
Foster Care – Title IV – E – PRB	93.658	7,934,560
Adoption Assistance	93.659	4,778,543
Independent Living Skills	93.674	2,217,875
		<u>309,216,594</u>
California Department on Aging:		
Special Programs for the Aging – Title VII-B	93.041	5,921
Special Programs for the Aging – Title VII-A	93.042	5,024
Special Programs for the Aging – Title III, Part F	93.043	63,476
Health Care Financing Research Demonstrations Project	93.779	46,826
		<u>121,247</u>

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor program name	CFDA number	Federal expenditures
Department of Health and Human Services, Continued		
California Family Planning Commission – Family Planning Service – Title X	93.217	\$ 458,941
Direct Program:		
Head Start Program	93.600	24,951,990
HIV Cluster – HIV Emergency Relief Formula Grant Title I (1)	93.914	7,490,058
Grants to Provide Outpatient Services for HIV Disease	93.918	435,080
		<u>32,877,128</u>
Total Department of Health and Human Services		<u>358,877,449</u>
Department of Housing and Urban Development		
City of Riverside – Housing Opportunities for Persons with Aids (HOPWA)	14.241	654,030
Direct Program:		
Landers and Big Bear Special Purpose Grant	14.000	29,007
Community Development Entitlement and Small Cities Cluster – Community Development Block Grant	14.218	9,467,935
Emergency Shelter Grant Program	14.231	284,556
HOME Investment Partnerships Program (1)	14.239	4,068,984
Neighborhood Initiative Program (1)	14.246	15,982,404
		<u>29,832,886</u>
Total Department of Housing and Urban Development		<u>30,486,916</u>
Department of Justice		
California Board of Corrections – Violent Offender Incarceration Grant (1)	16.586	2,717,172
California Office of Criminal Justice and Planning:		
Byrne Formula Grant	16.579	54,142
Byrne Discretionary Program Grant	16.580	418,033
Sate Identification System (SIS) Livescan Program	16.598	54,386
		<u>526,561</u>
Drug Enforcement Administration – Domestic Cannabis Eradication/Suppression Program	16.000	61,532
Direct Program:		
Federal Asset Forfeitures Program	16.000	1,542,876
Domestic Preparedness Equipment Support Program	16.007	241,469
Local Law Enforcement Block Grant	16.592	86,925
Cops More Program 98	16.710	1,146,356
Cops More Grant – Home Run Program	16.710	427,356
		<u>3,444,982</u>
Total Department of Justice		<u>6,750,247</u>
Department of Labor		
California Department on Aging – Senior Community Service Employment Program	17.235	284,005
California Employment Development Department:		
Welfare-to-Work	17.253	3,278,535
Workforce Investment Act (1)	17.255	11,643,177
		<u>14,921,712</u>
National Council on Aging – Senior Community Service Employment Program – Title V	17.235	502,731
Total Department of Labor		<u>15,708,448</u>

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

Federal grantor/pass-through grantor program name	CFDA number	Federal expenditures
Department of the Interior – Bureau of Land Management		
State Controller:		
Payment in Lieu of Tax	15.226	\$ 990,375
Taylor Grazing Act	15.227	87
Direct Program –		
Southwestern Willow Flycatcher Field Study	15.BCD	5,000
Total Department of the Interior – Bureau of Land Management		<u>995,462</u>
Department of the Interior – Bureau of Reclamation		
Direct Program:		
Southwestern Willow Flycatcher Field Study	15.BCD	1,926,066
Grand Canyon Sedimentation, Vegetation, and Avian Use Study	15.000	31,243
Reclamation and Water Reuse Program	15.504	5,734,165
Total Department of the Interior – Bureau of Reclamation		<u>7,691,474</u>
Department of the Interior – U.S. Fish and Wildlife Service		
Southern Nevada Water Authority:		
Yuma Clapper Rail and Yellow-Billed Cuckoo Research Study	15.000	50,988
Wildlife Conservation Appreciation Grant	15.617	6,475
Total Department of the Interior – U.S. Fish and Wildlife Service		<u>57,463</u>
Department of Transportation		
California Department of Transportation –		
Highway Planning and Construction Cluster – Highway		
Planning and Construction Grant (1)	20.205	4,719,063
State Office of Traffic Safety –		
Highway Safety Cluster – State and Community Highway		
Safety Program	20.600	39,231
Direct Program –		
Airport Improvement Program	20.106	163,205
Total Department of Transportation		<u>4,921,499</u>
Environmental Protection Agency		
State Water Resources Control Board –		
State Underground Storage Tanks Program	66.804	160,126
Federal Emergency Management Agency		
State Department Office of Emergency Services:		
Disaster Assistance	83.544	17,285
Disaster Assistance – Transportation	83.544	592,860
Total Federal Emergency Management Agency		<u>610,145</u>
Office of National Drug Control Policy		
County of Riverside –		
High Intensity Drug Trafficking Area – Riverside		
Methamphetamine Task Force	16.000	384,431
Direct Program –		
High Intensity Drug Trafficking Area	16.000	679,090
Total Office of National Drug Control Policy		<u>1,063,521</u>
Total Expenditures of Federal Awards		<u>\$ 638,614,887</u>

(1) Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards and independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the County of San Bernardino, California (the County), except for those programs operated by the Community Services Department which was audited by other auditors engaged by the County. The aforementioned department is included in the County's general purpose financial statements; however, excluded from the schedule of expenditures of federal awards. A separate single audit report is issued for the Community Services Department. Federal awards received directly from federal agencies as well as federal awards passed through the State of California and various agencies are included in this schedule. The County's reporting entity is defined in note 1 to the County's general purpose financial statements.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified-accrual basis of accounting, which is described in note 1 to the County's general purpose financial statements.

(3) Relationship to General Purpose Financial Statements

Except for the omission of the grant programs of the Community Services Department, amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, to amounts reported within the County's general purpose financial statements.

Federal award revenues are reported principally in the County's general purpose financial statements as intergovernmental revenues in the General and Special Revenue Funds.

(4) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal awards agree, in all material respects, with the amounts reported in the related federal financial reports.

(5) Outstanding Loans

At June 30, 2001, outstanding loans under the Department of Interior – Bureau of Reclamation – Reclamation and Water Reuse Program are \$10,370,375.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2001

(6) Amount Provided to Subrecipients

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the County provided federal awards to subrecipients as follows:

Program title	Federal CFDA number	Amount provided to subrecipients
Nutrition Program for the Elderly	10.570	\$ 610,528
Community Development Block Grant	14.218	5,914,980
Home Investment Partnership Program	14.239	983,347
Housing Opportunities for Persons with Aids (HOPWA)	14.241	609,296
Federal Asset Forfeiture Program	16.000	13,926
High Intensity Drug Trafficking Area	16.000	118,739
Byrne Discretionary Grant Program	16.580	181,710
Welfare-to-Work	17.253	1,478,251
Workforce Investment Act	17.255	5,887,695
Safe and Drug-Free Schools	84.186	91,057
Special Programs for the Aging – Title III, Part B	93.044	277,086
Special Programs for the Aging – Title III, Parts C1 and C2, Nutrition Services	93.045	1,880,508
Healthy Schools/Healthy Communities	93.151	100,620
Coalition Partnership for the Prevention of Teen Pregnancy	93.283	241,658
Family Preservation and Support Services	93.556	1,711,463
Head Start Program	93.600	1,623,417
Independent Living Skills	93.674	1,317,102
Medi-Cal Assistance Program	93.778	6,698,887
HIV Emergency Relief Formula Grant – Title I	93.914	6,278,441
HIV Care Formula Grant – Title II	93.917	657,348
Healthy Start Initiative	93.926	1,023,546
Mental Health Services Block Grant	93.958	1,393,264
Substance Abuse Prevention and Treatment Block Grant	93.959	8,636,271
Total amount provided to subrecipients		\$ <u>47,729,140</u>

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

(1) Summary of Auditors' Results

(a) Type of Report on the Financial Statements

Unqualified opinion.

(b) Reportable Conditions Identified at the Financial Statement Level

None reported.

(c) Material Weakness at the Financial Statement Level

None.

(d) Noncompliance Material to the Financial Statements

None.

(e) Reportable Conditions Identified at the Major Program Level

Yes. See findings 01-01 and 01-07 under item 3 below.

(f) Material Weakness at the Major Program Level

None.

(g) Type of Report on Compliance for Major Programs

Unqualified opinion.

(h) Any Findings Required by Section .510(a) of Circular A-133

See findings 01-01 through 01-13 under item 3 below.

(i) Identification of Major Programs

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
93.778	Medicaid Cluster
10.551, 10.561	Food Stamps Cluster
93.914	HIV Cluster – HIV Emergency Relief Formula Grant Title I
14.239	HOME Investment Partnerships Program
14.246	Neighborhood Initiative Program
16.586	Violent Offender Incarceration Grant
17.255	Workforce Investment Act
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction Grant

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

(j) Dollar Threshold Used to Distinguish Between Type A and Type B Programs

\$3,000,000.

(k) Low-Risk Auditee Determination

The County is considered a low-risk auditee.

(2) Findings and Questioned Costs Relating to the Financial Statements that are Required to be Reported in Accordance with *Government Auditing Standards*

None noted.

(3) Federal Award Findings and Questioned Costs

See attached findings 01-01 through 01-13.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

HIV Emergency Relief Formula Grant – Title I

CFDA #93.914

Finding 01-01

Subrecipient Monitoring

The *March 2001 Office of Management and Budget Circular A-133 (OMB Circular A-133) Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements. While performing compliance testwork, it was noted that the County does not have formal policies and procedures in place to regularly perform subrecipient monitoring procedures. There has been turnover in the department administering this program and the current program manager is in the process of developing policies and procedures over subrecipient monitoring; however, they have not yet been implemented.

Recommendation

We recommend that the County develop and implement formal policies and procedures to ensure that subrecipients are properly monitored to ensure compliance with federal requirements.

Workforce Investment Act Grant

CFDA #17.255

Finding 01-02

Subrecipient Monitoring

The *March 2001 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements. While performing compliance testwork, it was noted that the County does not have a formal procedure for receiving and maintaining single audit reports from those subrecipients required to have one performed.

Additionally, subrecipients are required to meet the applicable earmarking requirements related to out of school and low-income youth activities. While performing compliance testwork, it was noted that the County does not have a formal procedure in place to monitor compliance with such earmarking requirements.

Recommendation

We recommend that the County implement formal procedures to obtain single audit reports for those subrecipients required to have one performed and to obtain documentation from the subrecipients related to compliance with the required earmarking requirements. These procedures should be incorporated into the County's subrecipient monitoring checklist which is completed and maintained in the subrecipient's file. This will help ensure that subrecipients are properly monitored to ensure compliance with federal requirements.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

Violent Offender Incarceration Grant

CFDA #16.586

Finding 01-03

Davis Bacon Act – Prevailing Wages

The *March 2001 OMB Circular A-133 Compliance Supplement* requirements for the Davis Bacon Act require that the pass-through entity monitor contractors' payroll to provide reasonable assurance that employees are being paid prevailing wages in accordance with federal requirements. The County's agreements with subcontractors includes this requirement. While performing compliance testwork, it was noted that the County did not exercise their right to obtain and review contractors' certified payroll to ensure contractors' compliance with prevailing wages.

Recommendation

We recommend that the County implement a formal procedure to obtain and review contractors' certified payroll on a regular basis to ensure compliance with federal requirements related to prevailing wages.

HOME Investment Partnerships Program

CFDA #14.239

Finding 01-04

Cash Management

The fiscal year 2001 grant agreement with the Department of Housing and Urban Development (HUD) requires that funds be expended by the grantee within fifteen working days of receipt of drawdown funds from HUD. Of the 55 drawdowns selected for compliance testwork, it was noted that one drawdown was expended by the County seventeen working days after receipt of the drawdown funds from HUD.

Recommendation

We recommend that the County implement procedures to ensure that drawdown funds are expended within the fifteen working day requirement to ensure compliance with federal requirements related to cash management.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

Highway Planning and Construction

CFDA #20.205

Finding 01-05

Allowable Costs and Activities

The County has a separate grant agreement with the Department of Transportation of the State of California (CalTrans) for each construction project. In performing testwork on the Phelan Road project grant, we noted that the County utilized grant funds from the Rock Springs Road project grant in the amount of \$676,693 to reimburse expenditures on the Phelan Road project without the prior approval of CalTrans.

Recommendation

We recommend that the County implement a procedure to obtain grantor approval for amendment of the grant amount between project grants. This will help ensure that the County is in compliance with federal allowable costs and activities requirements.

Food Stamps Cluster

CFDA #10.551 and 10.561

Finding 01-06

Reporting

The *March 2001 OMB Circular A-133 Compliance Supplement* requirements for Reporting require that certain reports be submitted to the United States Department of Agriculture. The County must submit the monthly FNS-46 Report (Issuance Reconciliation Report) within 90 days after the reporting month-end and the monthly FNS-250 Report (Food Coupon Accountability Report) within 45 calendar days after the reporting month-end. Of the twelve FNS-46 reports submitted by the County for fiscal year 2001, three were submitted after the 90 day timeframe. Of the twelve FNS-250 reports submitted by the County for fiscal year 2001, one was submitted after the 45 calendar day timeframe.

Recommendation

We recommend that the County implement procedures to ensure that required reports are submitted by the required due date in order to ensure compliance with federal requirements related to reporting.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

Medi-Cal Assistance Program CFDA #93.778 Finding 01-07 Allowable Costs and Activities

The County submits the County Expense Claim (CEC) for program administrative costs to the State of California on a quarterly basis for reimbursement. In performing compliance testwork, we noted the following:

- Case workers complete time study forms, which are compiled into quarterly time study summary reports that are used to allocate the payroll expenditures to the various federal programs in the CEC. Of the 16 employee time study transactions selected from the quarterly time study reports for compliance testwork, we noted 7 transactions whereby the employee's Time and Labor Report (TLR) did not agree to the quarterly time study summary reports. We noted instances where a.) the employee's total nonallocable hours per the time study summary report did not agree to the TLR and b.) the employee's time study hours exceeded standard hours for the pay period. The ratios used to allocate payroll expenditures to the various federal programs in the CEC are derived from the data in the time study summary reports. The effect of these discrepancies on the allocation ratios is currently not known.
- We noted an expenditure in the amount of \$3,000 related to application system changes for the Medi-Cal program that was allocated across all federal programs in the CEC. In accordance with the State's cost allocation plan (CAP), the amount should have been charged directly to the Medi-Cal program.
- We noted two expenditures in the amounts of \$46,240 and \$107,201, respectively, related to purchases of equipment whereby the total cost was claimed for reimbursement in the CEC. In accordance with the CAP, equipment used for public assistance with a cost greater than \$25,000 must be claimed through an annual use allowance or depreciated over the useful life of the equipment. If utilizing the annual use allowance approach, amounts claimed for reimbursement in the CEC for fiscal year 2001 were overstated by approximately \$43,160 and \$100,005, respectively.

Recommendation

We recommend that the County review the current preparation process for the quarterly time study summary reports and implement procedures to ensure the accuracy of the time study summary reports. Additionally, we also recommend that the County implement a procedure to verify that any non-payroll expenditures claimed for reimbursement on the CEC are in accordance with the CAP. This will help ensure that the amounts claimed for reimbursement for each of the federal programs included in the CEC are accurate.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

Medi-Cal Assistance Program

CFDA #93.778

Finding 01-08

Allowable Costs and Activities

The *March 2001 OMB Circular A-133 Compliance Supplement* requirements for Allowable Costs and Activities require that the pass-through entity provide services to or on behalf of eligible clients. Of the 33 expenditure transactions selected for compliance testwork over the County's Alcohol, Drug, and Abuse Program, we noted one transaction whereby the patient had become ineligible for the program prior to the date of service, as documented by the counselor in the patient file. However, the cost of service in the amount of \$64 was charged to the Medi-Cal program.

Recommendation

We recommend that the County implement a procedure to ensure that any changes in patient eligibility are processed in a timely manner. This will help ensure compliance with allowable costs and activities requirements.

Medi-Cal Assistance Program

CFDA #93.778

Finding 01-9

Reporting

The fiscal year 2001 grant agreement with the State of California requires that the Annual Cost Report for the County's Alcohol, Drug, and Abuse Program be submitted by November 1 following year-end. We noted that the Annual Cost Report for fiscal year 2001 was submitted one day after the due date.

Recommendation

We recommend that the County implement procedures to ensure that required reports are submitted by the due date specified by the State in order to ensure compliance with federal requirements related to reporting.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

Medi-Cal Assistance Program

CFDA #93.778

Finding 01-10

Reporting

The fiscal year 2001 grant agreement with the State of California requires that the quarterly program status report for the County's Multi-Purpose Senior Services Program be submitted to the California Department of Aging within 20 days of the quarter-end. Additionally, the Annual Close-Out Report for the County's Multi-Purpose Senior Services Program must be submitted by the due date communicated to the County each year by the California Department of Aging. Of the four quarterly program status reports for fiscal year 2001, three of the reports were submitted after the 20 day timeframe. We also noted that the Annual Close-Out Report for fiscal year 2000 was due on March 3, 2001 and the County submitted the report on May 5, 2001.

Recommendation

We recommend that the County implement procedures to ensure that required reports are submitted by the due date specified by the State in order to ensure compliance with federal requirements related to reporting.

Medi-Cal Assistance Program

CFDA #93.778

Finding 01-11

Subrecipient Monitoring

The *March 2001 OMB Circular A-133 Compliance Supplement* requirements for Subrecipient Monitoring require that the pass-through entity monitor the subrecipient's activities to provide reasonable assurance that the subrecipient administers awards in compliance with federal requirements. While performing compliance testwork, it was noted that the County does not have a formal procedure for maintaining single audit reports from those subrecipients required to have one performed.

Recommendation

We recommend that the County implement a procedure to obtain single audit reports for those subrecipients required to have one performed. This will help ensure that subrecipients are properly monitored to ensure compliance with federal requirements.

COUNTY OF SAN BERNARDINO, CALIFORNIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2001

Medi-Cal Assistance Program

CFDA #93.778

Finding 01-12

Eligibility

The *March 2001 OMB Circular A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided to or on behalf of eligible clients in accordance with federal requirements. While performing compliance testwork over the County's Alcohol, Drug, and Abuse Program, the following was noted:

- As part of determining eligibility, an assessment of the physical condition of the client is required to be completed within 30 calendar days of admission to treatment. Of the 30 patient files selected for compliance testwork, we noted one patient where such assessment was not completed.
- In accordance with program requirements, initial and continuing treatment plans are required to be completed by the counselor within 30 and 90 days of the date of service and the physician must sign the plans within 15 days of the counselor's signature. Of the 30 patient files selected for compliance testwork, we noted a.) one patient where the initial and continuing treatment plans were completed by the counselor after the 30 and 90 day timeframes, b.) two patients where the initial treatment plans were signed by the physician after the 15 day timeframe, and c.) one patient where the continuing treatment plan was signed by the physician after the 15 day timeframe.

Recommendation

We recommend that the County implement a procedure to ensure that all required forms utilized for eligibility determination are completed in accordance with established timeframes. This will help ensure compliance with federal requirements.

Medi-Cal Assistance Program

CFDA #93.778

Finding 01-13

Eligibility

The *March 2001 OMB A-133 Compliance Supplement* requirements for Eligibility require that the pass-through entity determine client eligibility to provide reasonable assurance that amounts are provided on behalf of eligible clients in accordance with federal requirements. While performing compliance testwork over the County's Multi-Purpose Senior Services Program, we noted that a psychosocial assessment form and an annual reassessment form are required to be completed by the caseworker as part of determining eligibility. Of the 40 client files selected for compliance testwork, we noted one client where the psychosocial assessment form had not been completed and two clients where the annual reassessment had not been performed.

Recommendation

We recommend that the County implement a procedure to ensure that all required forms utilized for eligibility determination are completed in accordance with established timeframes. This will help ensure compliance with federal requirements.